

## PUBLIC SERVICE COMMISSION OF WISCONSIN

### Minutes and Informal Instructions of the Open Meeting of Thursday, December 10, 2009

The Public Service Commission of Wisconsin (Commission) met as noticed. Present were Chairperson Callisto, Commissioner Meyer, and Commissioner Azar.

#### **Minutes**

The Commission modified and approved the minutes of the Open Meeting of Friday, October 30, 2009.

The minutes of the Open Meeting of Thursday, November 12, 2009, were laid over at the request of the Commission.

#### **550-ER-104 - Application of the City of Black River Falls, Jackson County, Wisconsin, as an Electric Public Utility, for Authority to Increase Electric Rates**

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

#### **3160-ER-106 - Application of the City of Lodi, Columbia County, Wisconsin, as an Electric Public Utility, for Authority to Increase Electric Rates**

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

#### **2140-WR-104 - Application of the Village of Friendship Water Utility, Adams County, Wisconsin, for Authority to Increase Water Rates**

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

#### **3240-WR-102 - Application of Luxemburg Municipal Water Utility, Kewaunee County, Wisconsin, for Authority to Increase Water Rates**

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

**3250-WR-101 - Application of Lyndon Station Municipal Water Utility, Juneau County, Wisconsin, for Authority to Increase Water Rates**

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

**3370-CW-104 – Application of Marinette Municipal Water Utility, Marinette, Wisconsin, to Construct a Water Treatment Facility**

The Commission approved the Notice of Investigation and directed it be signed by the Secretary to the Commission on behalf of the Commission.

**5370-WR-104 - Application of Sheboygan Water Utility, Sheboygan County, Wisconsin, for Authority to Increase Water Rates**

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

**5810-WR-104 – Application of Sun Prairie Water and Light Commission, Dane County, Wisconsin, for Authority to Increase Water Rates**

The Commission approved the Notice of Proceeding and directed it be signed by the Secretary to the Commission on behalf of the Commission.

**5-EI-149 – Application of the City of Menasha and WPPI Energy for Approval of the Sale and Leaseback of Certain Electric Utility Facilities from Menasha to WPPI Energy, Sale to WPPI Energy of Menasha’s Ownership Shares in American Transmission Company, Authority for Menasha to Increase Electric Rates, and a Declaratory Ruling Regarding the Public Service Commission’s Continuing Jurisdiction Over WPPI Energy**

The Commission approved the Notice of Proceeding and Prehearing Conference and directed it be signed by the Secretary to the Commission on behalf of the Commission.

**4220-CE-169 – Northern States Power Company – Wisconsin, an Xcel Energy Company, Request for Approval to Construct a Biomass Gasifier at its Bay Front Generating Facility**

The Commission modified and approved the Final Decision and directed it be signed by the Secretary to the Commission on behalf of the Commission.

**5-AE-153 – Application of American Transmission Company LLC, Wisconsin Power and Light Company, Wisconsin Electric Power Company, Madison Gas and Electric Company, Wisconsin Public Service Corporation, and Upper Peninsula Power Company for Approval of a Project Services Agreement and Common Facilities Agreement and Termination of a Transitional Services Agreement**

**Approval of Compliance Filings**

The Commission approved the compliance filings submitted on October 1, 2009.

The Commission directed the Gas and Energy Division to draft an order consistent with its decision.

**9300-EI-100 – Investigation on Commission’s Own Motion of Impacts or Activities Related to the Operation of Energy Markets by the Midwest Independent Transmission System Operator**

The Commission directed the Commission negotiator to support the Organization of MISO States, Inc., (OMS) Cost Allocation and Regional Planning motion to request the Midwest Independent Transmission System Operator, Inc., to begin developing an Injections and Withdrawal-based tariff for further review by the OMS Cost Allocation and Regional Planning effort.

**4220-UR-116 – Application of Northern States Power Company, a Wisconsin Corporation, for Authority to Adjust Electric and Natural Gas Rates**

**4220-FR-103 – Fuel Rules Proceeding to Adjust Northern States Power Company-Wisconsin, d/b/a Xcel Energy, 2009 Electric Rates Originally Set in Docket 4220-UR-115**

The Commission discussed the record in this docket and made determinations, including the following:

1. The 2009 fuel cost related refunds should be offset against any 2010 test year utility revenue deficiency with carrying costs at the authorized return on common equity for the remaining 2009 fuel refund. The common equity carrying cost should also be applied to the refund amount used to offset the 2010 rate case for all of 2010.
2. The hybrid method, which uses an average of 2009 natural gas prices and forward looking 2010 gas prices, should be the basis for calculating electric fuel expense.

Chairperson Callisto dissented.

3. The refund of Monticello's external escrow Nuclear Decommissioning fund should be deferred with interest at the short-term debt rate and be used to offset the potential 2011 rate increase.
4. The level of rate base filed by Northern States Power Company-Wisconsin (NSPW) is appropriate for the test year.

Commissioner Meyer dissented.

5. Decreasing the NSPW-filed level of uncollectible expense, to reflect the adjustment to net uncollectible write-offs, is appropriate.
6. The operating and maintenance impact, including payroll taxes, of a 2.0 percent furlough should be included in the test year revenue requirement. It is reasonable for Commission staff to conduct an in-depth audit of officers' and directors' expenses in NSPW's next rate proceeding.
7. Decreasing NSPW's filed level for Account 921 to reflect historic levels is appropriate.
8. The hydro appropriated retained earnings should be eliminated from the rate base and equity.

Commissioner Meyer dissented.

9. It is reasonable to allow NSPW to file a limited reopener that would include fixed charges, fuel and pension-related components of the Interchange Agreement. The reopener will be based on the 2011 system load forecast. The rate design will follow the same allocation as decided in this rate proceeding.
10. It is reasonable for the Commission to recognize the importance of Comprehensive Workforce Planning efforts. NSPW should file its Comprehensive Workforce Plan with the Commission for Commission staff review.
11. The appropriate target level for NSPW's test year average common equity measured on a financial basis is 52.5 percent.
12. A reasonable return on equity for NSPW for the test year is 10.4 percent.

Commissioner Meyer dissented.

13. A reasonable interest rate for NSPW's short-term borrowing is 1.18 percent.

14. A variety of incremental cost-of-service studies and other factors should be relied upon to establish base revenue responsibility.
15. The Act 141 rate factors proposed by Commission staff member, Jerry Albrecht, adjusted for the final revenue requirement, plus any adjustment to the energy rates to limit the collection from the large energy customers, should be approved.
16. The payment caps for the large energy customers should be adjusted by 3.8 percent.
17. The electric rate design alternative presented by Commission staff member, Jerry Albrecht, along with a uniform per kilowatt credit, adjusted for the final revenue requirement and other contested issues, is reasonable.
18. The electric customer charges proposed by Commission staff member, Jerry Albrecht, adjusted for the final revenue requirement, should be approved.
19. The current annual interruptible credits should be maintained.

The Commission directed the Gas and Energy Division to draft an order consistent with its discussion.

**6690-UR-119 – Application of Wisconsin Public Service Corporation for Authority to Adjust Electric and Natural Gas Rates**

**Motion of Wisconsin Public Service Corporation to Amend Amended Decision to Replace Electric and Natural Gas Rate Adjustment Caps on Revenue Stability Mechanism with Earnings Cap**

The Commission denied the motion filed on behalf of Wisconsin Public Service Corporation to amend the Final Decision dated December 20, 2008, and the Amended Final Decision dated February 24, 2009, to replace electric and natural gas rate adjustment caps on Revenue Stability Mechanism with Earnings Caps.

The Commission directed the Gas and Energy Division to draft an order consistent with its discussion.

**6690-FR-101 – Fuel Rules Proceeding to Adjust Wisconsin Public Service Corporation's Electric Rates Originally Set in Docket 6690-UR-118**

**6690-FR-102 – Fuel Rules Proceeding to Adjust Wisconsin Public Service Corporation's Electric Rates Originally Set in Docket 6690-UR-119**

**6690-UR-119 – Application of Wisconsin Public Service Corporation for Authority to Adjust Electric and Natural Gas Rates**

The Commission discussed the record in this docket and made determinations, including the following:

1. The 2008 and 2009 fuel cost related refunds should be offset against any 2010 test year utility revenue deficiency.
2. The hybrid method, which uses an average of 2009 natural gas prices and forward looking 2010 gas prices, should be the basis for calculating electric fuel expense.

Chairperson Callisto dissented.

3. A variety of incremental cost-of-service studies and other factors should be relied upon to establish base revenue responsibility.
4. The electric revenue allocation proposed by Commission staff member, Jerry Albrecht, adjusted for the final revenue requirement, should be approved.
5. The electric rate design alternative presented by Commission staff member, Jerry Albrecht, adjusted for the final revenue requirement and other contested issues, is reasonable.
6. A goal of moving the energy charges for the small energy-only rate classes closer together is reasonable.
7. It is reasonable for the NatureWise (green pricing) program tariff to be changed to eliminate the charges or credits for any adjustment for cost of fuel to all renewable energy purchased under the NatureWise tariff.
8. The rate premium customers pay to participate in the NatureWise program should be increased from 1.00 cents to 1.25 cents per kilowatt.

Commissioner Azar dissented.

9. Changing the NatureWise tariff language as proposed in Exhibit 98 is unreasonable. A limit of 25,000 renewable energy blocks per customer per month is reasonable.
10. Rate designs for the demand/energy rate classes that collect relatively more revenue from energy charges and relatively less from demand charges should be approved.
11. Wisconsin Public Service Corporation (WPSC) should submit to the Commission an analysis by September 1, 2010, of splitting the current time of day periods into additional pricing periods and a plan for implementation in 2011.
12. WPSC should submit a plan to the Commission by September 1, 2010, to bid its direct load control program and interruptible loads into the Midwest Independent Transmission System Operator energy market as price sensitive loads with implementation in 2011.

The Commission directed the Gas and Energy Division to draft an order consistent with its discussion.

**CLOSED SESSION - The Commission recessed the open meeting, went into closed session under Wis. Stat. § 19.85(1)(g) to discuss the litigation matters noted below with legal counsel, and reconvened the open meeting pursuant to Wis. Stat. § 19.85(2).**

**RP10-147-000 – Natural Gas Pipeline Company of America LLC**

**RP10-148-000 – Northern Natural Gas Company**

**RP10-149-000 – Great Lakes Gas Transmission Limited Partnership**

**FERC Investigations into the Rates Charged by Interstate Natural Gas Pipelines**

Commissioner Meyer moved, pursuant to Wis. Stat. § 19.85(1)(g), that the Commission convene in closed session to discuss the litigation matters noted above with counsel. Commissioner Azar seconded the motion. The motion was carried and the Commission went into closed session.

After a discussion in closed session, the Commission reconvened in open session.

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The Commission determined that it would intervene in these proceedings, with the extent of the intervention to be determined as the proceedings develop.

The Commission adjourned the meeting at 2:53 p.m.

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Sandra J. Paske  
Secretary to the Commission